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**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----X
In re :
CITY OF DETROIT, MICHIGAN, : Chapter 9
Debtor. : Case No. 13-53846
: Hon. Steven W. Rhodes
-----X

**THIRD AMENDED DISCLOSURE STATEMENT WITH RESPECT TO THIRD
AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT**

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**THIRD AMENDED DISCLOSURE STATEMENT, DATED APRIL 25, 2014
SOLICITATION OF VOTES WITH RESPECT TO THIRD
AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT, MICHIGAN**

Preamble

The City of Detroit ("Detroit" or the "City") believes that the Plan for the Adjustment of Debts of the City of Detroit (the "Plan") attached as Exhibit A to this Disclosure Statement (this "Disclosure Statement") is in the best interests of creditors. All creditors entitled to vote thereon are urged to vote in favor of the Plan. A summary of the voting instructions is set forth beginning on page 1 of this Disclosure Statement. Additional instructions are contained on the ballots distributed to the creditors entitled to vote on the Plan. To be counted, your ballot must be duly completed, executed and received by the City at or before 5:00 p.m., Eastern Time, on July 11, 2014 (the "Voting Deadline"), unless the Voting Deadline is extended.

The effectiveness of the proposed Plan is subject to material conditions precedent, some of which may not be satisfied. See Section III.D.1 of this Disclosure Statement. There is no assurance that these conditions will be satisfied or waived.

All capitalized terms used in this Disclosure Statement and not otherwise defined herein shall have the meanings given to them in the Plan.

This Disclosure Statement is the only document that the Bankruptcy Court has approved for use in connection with the solicitation of votes on the Plan. No entity is authorized by the City to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits attached hereto or incorporated by reference or referred to herein in connection with the Plan or the solicitation of acceptances of the Plan. Information or representations derived from any other source may not be relied upon as having been authorized by the City.

ALL CREDITORS (INCLUDING RETIREES) ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT A AND THE RISK FACTORS DESCRIBED UNDER SECTION VI, PRIOR TO SUBMITTING BALLOTS IN RESPONSE TO THIS SOLICITATION.

RETIREES ARE FURTHER ENCOURAGED TO READ AND CAREFULLY CONSIDER THE "NOTICE REGARDING PROPOSED CHANGES TO PENSIONS IN THE CITY'S PLAN OF ADJUSTMENT AND/OR YOUR RIGHT TO VOTE ON THE PLAN" AND THE "NOTICE REGARDING PROPOSED CHANGES TO POST-EMPLOYMENT HEALTHCARE BENEFITS IN THE CITY'S PLAN OF ADJUSTMENT AND YOUR RIGHT TO VOTE ON THE PLAN" ENCLOSED WITH THIS DISCLOSURE STATEMENT PRIOR TO SUBMITTING BALLOTS IN RESPONSE TO THIS SOLICITATION.

The summaries of the Plan and other documents contained in this Disclosure Statement are qualified by reference to the Plan itself, the exhibits and supplemental documents thereto (collectively, the "Plan Supplement Documents") and documents described therein as Filed prior to approval of this Disclosure Statement. In the event that any inconsistency or conflict exists between this Disclosure Statement and the Plan, the terms of the Plan will control. Except as otherwise indicated, the City will File all Plan Supplement Documents with the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") and make them available for review on the Document Website (www.kccllc.net/detroit) prior to the Confirmation Hearing. A Plan Supplement or Plan Supplements containing Exhibits 181, 182, 212, 213 and 11D-6 to the Plan will be Filed no later than five Business Days prior to the Voting Deadline. All other Plan Supplements will be Filed no later than ten days before the Confirmation Hearing.

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This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan. The City reserves the right to modify the Plan consistent with section 942 of title 11 of the United States Code (the "Bankruptcy Code"), Rule 3019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and other applicable law.

The statements contained in this Disclosure Statement are made as of the date of this Disclosure Statement, and there can be no assurance that the statements contained herein will be correct at any time after this date. The information contained in this Disclosure Statement, including the information regarding the history and operations of the City and any financial information regarding the City, is included for the purpose of soliciting acceptances of the Plan. As to contested matters, adversary proceedings or any other litigation, the statements made in this Disclosure Statement are not to be construed as admissions or stipulations, but rather as statements made in settlement negotiations as part of the City's attempt to settle and resolve its Liabilities pursuant to the Plan. This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding, nor shall it be construed to be conclusive advice on the tax, securities or other legal effects of the Plan as to any party, including any Holder of a Claim against the City. Except where specifically noted, the financial information contained in this Disclosure Statement and in its Exhibits has not been audited by a certified public accountant and may not have been prepared in accordance with standards promulgated by the Government Accounting Standards Board or generally accepted accounting principles in the United States.

FORWARD-LOOKING STATEMENTS

This Disclosure Statement contains forward-looking statements based primarily on the current expectations of the City and projections about future events and financial trends affecting the financial condition of the City and its assets. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "expect" and similar expressions identify these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described below under the caption "Risk Factors" in Section VI. In light of these risks and uncertainties, the forward-looking events and trends discussed in this Disclosure Statement may not occur, and actual results could differ materially from those anticipated in the forward-looking statements. The City does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission or any securities exchange or association nor has the SEC, any state securities commission or any securities exchange or association passed upon the accuracy or adequacy of the statements contained herein.

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City of Detroit
Sewage Disposal Fund
Capital Improvement Program Financing
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital spending:										
OHM Advisors CIP Estimates ¹	\$ 165.6	\$ 156.0	\$ 140.0	\$ 140.0	\$ 96.5	\$ 96.5	\$ 125.5	\$ 125.5	\$ 72.2	\$ 72.2
Unidentified capital projects	-	-	-	-	-	-	-	5.1	89.7	117.8
Total capital spending	165.6	156.0	140.0	140.0	96.5	96.5	125.5	130.6	161.9	190.0
<hr/>										
Sources & Uses:										
<u>Improvement & Extension Fund ²:</u>										
Beginning balance	-	39.3	7.2	33.7	36.6	38.6	51.4	68.0	84.3	98.9
Plus: Revenue deposits	39.3	7.2	33.7	36.6	38.6	51.4	68.0	84.3	98.9	108.2
Less: Use of funds	-	(39.3)	(7.2)	(33.7)	(36.6)	(38.6)	(51.4)	(68.0)	(84.3)	(98.9)
Ending balance	39.3	7.2	33.7	36.6	38.6	51.4	68.0	84.3	98.9	108.2
<u>Construction Bond Fund ²:</u>										
Beginning balance	162.6	0.1	-	-	-	-	-	-	-	-
Plus: Bond issuance	-	123.5	142.7	115.6	65.1	62.9	80.6	68.0	84.3	98.9
Plus: SRF funds	3.0	3.0	1.5	-	-	-	-	-	-	-
Less: Fees and reserve deposits	-	(9.9)	(11.4)	(9.2)	(5.2)	(5.0)	(6.4)	(5.4)	(6.7)	(7.9)
Less: Use of funds	(165.6)	(116.7)	(132.8)	(106.3)	(59.9)	(57.9)	(74.1)	(62.6)	(77.6)	(91.0)
Ending balance	0.1	-	-	-	-	-	-	-	-	-
Total use of funds	\$(165.6)	\$(156.0)	\$(140.0)	\$(140.0)	\$ (96.5)	\$ (96.5)	\$(125.5)	\$(130.6)	\$(161.9)	\$(190.0)

Footnotes:

¹ FY 2014 and FY 2015 reflect CIP amounts per DWSD's budget.

² FY 2014 beginning reserve balances obtained from DWSD management.

City of Detroit
Sewage Disposal Fund
Reserve Balance Projections¹
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Operating & maintenance:</u>										
Beginning balance	18.9	29.3	35.6	38.2	42.0	46.3	50.5	54.3	58.7	63.9
Plus: Deposits	10.4	6.3	2.6	3.8	4.3	4.2	3.8	4.4	5.2	5.4
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	29.3	35.6	38.2	42.0	46.3	50.5	54.3	58.7	63.9	69.3
<i>Days of operating reserve</i>	45	50	55	60	65	70	75	80	85	90
<u>Extraordinary repair & replacement:</u>										
Beginning balance	34.1	35.2	38.5	38.5	38.5	38.5	39.0	39.1	39.6	40.6
Plus: Deposits	1.1	3.3	-	-	-	0.5	0.1	0.5	1.0	1.0
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	35.2	38.5	38.5	38.5	38.5	39.0	39.1	39.6	40.6	41.6
<u>Improvement & extension:</u>										
Beginning balance	-	39.3	7.2	33.7	36.6	38.6	51.4	68.0	84.3	98.9
Plus: Deposits	39.3	7.2	33.7	36.6	38.6	51.4	68.0	84.3	98.9	108.2
Less: Use of funds	-	(39.3)	(7.2)	(33.7)	(36.6)	(38.6)	(51.4)	(68.0)	(84.3)	(98.9)
Ending balance	39.3	7.2	33.7	36.6	38.6	51.4	68.0	84.3	98.9	108.2
<u>Total revenue generated funds:</u>										
Beginning balance	53.0	103.8	81.3	110.3	117.1	123.4	140.9	161.5	182.6	203.4
Plus (less): Net deposits (uses)	50.8	(22.5)	29.0	6.8	6.3	17.5	20.6	21.1	20.8	15.7
Ending balance	103.8	81.3	110.3	117.1	123.4	140.9	161.5	182.6	203.4	219.1
<u>Construction bond fund:</u>										
Beginning balance	162.6	0.1	-	-	-	-	-	-	-	-
Plus: Bond issuance	-	123.5	142.7	115.6	65.1	62.9	80.6	68.0	84.3	98.9
Plus: SRF funds	3.0	3.0	1.5	-	-	-	-	-	-	-
Less: Fees and reserve deposits	-	(9.9)	(11.4)	(9.2)	(5.2)	(5.0)	(6.4)	(5.4)	(6.7)	(7.9)
Less: Use of funds	(165.6)	(116.7)	(132.8)	(106.3)	(59.9)	(57.9)	(74.1)	(62.6)	(77.6)	(91.0)
Ending balance	0.1	-	-	-	-	-	-	-	-	-

Footnotes:

¹ FY 2014 beginning reserve balances obtained from DWSD management.

**City of Detroit
Sewage Disposal Fund
Debt Balances**
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>New issues¹:</u>										
Beginning balance	\$ -	\$ 3.0	\$ 127.5	\$ 267.3	\$ 376.4	\$ 433.7	\$ 487.6	\$ 557.3	\$ 612.9	\$ 682.8
New issues	3.0	126.5	144.2	115.6	65.1	62.9	80.6	68.0	84.3	98.9
Principal amortization	-	(2.0)	(4.4)	(6.4)	(7.8)	(9.1)	(10.8)	(12.4)	(14.4)	(16.6)
Ending balance	3.0	127.5	267.3	376.4	433.7	487.6	557.3	612.9	682.8	765.2
<u>Senior lien bonds:</u>										
Beginning balance	1,860.9	1,827.7	1,795.2	1,760.4	1,715.5	1,668.2	1,618.2	1,565.8	1,512.2	1,465.2
Principal amortization	(36.6)	(35.7)	(37.6)	(47.3)	(49.4)	(51.5)	(53.4)	(54.2)	(47.0)	(61.8)
Accrued PIK interest	3.4	3.1	2.8	2.4	2.0	1.6	1.1	0.6	-	-
Ending balance	1,827.7	1,795.2	1,760.4	1,715.5	1,668.2	1,618.2	1,565.8	1,512.2	1,465.2	1,403.5
<u>Second lien bonds:</u>										
Beginning balance	965.5	959.6	945.2	930.5	924.0	917.2	910.0	902.2	892.3	871.0
Principal amortization	(5.9)	(14.4)	(14.7)	(6.5)	(6.8)	(7.2)	(7.8)	(9.9)	(21.3)	(13.8)
Ending balance	959.6	945.2	930.5	924.0	917.2	910.0	902.2	892.3	871.0	857.2
<u>Junior lien bonds:</u>										
Beginning balance	482.9	446.9	410.3	372.8	334.4	295.1	255.0	214.1	173.6	136.7
Principal amortization	(35.9)	(36.6)	(37.6)	(38.4)	(39.2)	(40.2)	(40.8)	(40.5)	(36.9)	(37.2)
Ending balance	446.9	410.3	372.8	334.4	295.1	255.0	214.1	173.6	136.7	99.5
Total debt	\$3,237.3	\$3,278.2	\$3,331.0	\$3,350.3	\$3,314.2	\$3,270.7	\$3,239.5	\$3,191.1	\$3,155.8	\$3,125.4

Footnotes:

¹ Assumed senior lien.

City of Detroit
Sewage Disposal Fund
Operating & Maintenance Expense Projections
(in millions of dollars)

	Actual 2013	2014	2015	2016	2017	For the Fiscal Year Ended					
		2018	2019	2020	2021	2022	2023				
Personnel expenses:											
Salaries & wages	\$ 23.2	\$ 26.1	\$ 26.6	\$ 25.9	\$ 25.2	\$ 24.5	\$ 23.3	\$ 21.4	\$ 20.6	\$ 21.1	\$ 21.6
Overtime	7.2	7.4	7.5	7.5	7.4	7.2	6.8	6.3	5.9	6.1	6.2
Subtotal	30.4	33.5	34.1	33.4	32.6	31.7	30.1	27.7	26.5	27.2	27.8
Pension & fringes ¹	29.3	31.2	44.5	34.0	33.9	33.9	33.6	33.0	32.8	33.2	33.6
Total personnel expenses	59.6	64.7	78.7	67.4	66.5	65.6	63.7	60.7	59.3	60.4	61.4
Non-personnel expenses:											
Purchased services	5.9	7.8	5.3	4.6	4.7	4.9	5.0	5.1	5.2	5.4	5.5
Telecommunications	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Contractual services	86.2	41.1	52.9	55.7	58.4	60.8	63.2	64.8	66.4	68.1	69.8
Repairs & maintenance	8.6	8.5	8.7	9.0	9.2	9.4	9.7	9.9	10.1	10.4	10.7
Utilities	36.0	37.6	37.9	39.0	40.2	41.5	42.7	44.0	45.4	46.8	48.3
Chemicals	12.8	15.0	15.0	15.4	15.7	16.1	16.5	16.8	17.3	17.7	18.1
Other	5.6	7.3	5.7	5.9	6.0	6.1	6.3	6.5	6.6	6.8	7.0
Clearing account	26.4	51.9	51.8	52.6	53.0	54.1	54.9	55.1	55.8	57.3	58.9
Biosolids savings	-	-	-	-	(2.5)	(2.5)	(2.6)	(2.7)	(2.8)	(2.8)	(2.9)
Total non-labor expenses	181.9	169.7	177.9	182.7	185.4	190.8	196.1	200.1	204.7	210.2	215.9
Total operating & maintenance expense	<u>\$ 241.6</u>	<u>\$ 234.4</u>	<u>\$ 256.5</u>	<u>\$ 250.1</u>	<u>\$ 251.9</u>	<u>\$ 256.4</u>	<u>\$ 259.8</u>	<u>\$ 260.8</u>	<u>\$ 264.1</u>	<u>\$ 270.6</u>	<u>\$ 277.3</u>

Footnotes:

¹ FY 2013 actual reduced by net OPEB obligation to allow for comparison.

City of Detroit
Sewage Disposal Fund
Pension & Fringes Projection Detail
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pension & fringes:										
GF pension reimbursements ¹	\$ 9.5	\$ 31.9	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1
GF OPEB reimbursements ¹	8.4	2.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
New defined contribution plan ²	1.3	1.3	1.3	1.3	1.2	1.2	1.1	1.0	1.1	1.1
New retiree healthcare ³	-	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Active employee healthcare ⁴	4.9	4.9	5.0	5.1	5.1	5.0	4.7	4.6	4.8	5.1
Social security ⁵	2.6	2.6	2.6	2.5	2.4	2.3	2.1	2.0	2.1	2.1
Other fringes ⁶	4.5	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Total pension & fringes	\$ 31.2	\$ 44.5	\$ 34.0	\$ 33.9	\$ 33.9	\$ 33.6	\$ 33.0	\$ 32.8	\$ 33.2	\$ 33.6

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FTE Schedule ⁷:										
FTE count - beginning	631	568	540	513	487	463	416	370	370	370
Less: Attrition	(63)	(28)	(27)	(26)	(24)	-	-	-	-	-
Less: Layoffs	-	-	-	-	-	(46)	(46)	-	-	-
Ending FTE count	568	540	513	487	463	416	370	370	370	370

Assumptions:

¹ Based upon amounts included in Plan of Adjustment (Disclosure Statement - Exhibit II.B.3.u.ii.A).

² 5.0% of salaries and wages.

³ 2.0% of salaries and wages.

⁴ \$8,250 per FTE in FY 2014 (active employee healthcare growth rates: FY 2015 7.5%; FY 2016 7.0%; FY 2017 6.5%; FY 2018 6.0%; FY 2019 5.5%; FYs 2020 - 2023 5.0%).

⁵ 7.65% of salaries, wages, and overtime.

⁶ Includes fixed and variable expenses, variable portion based upon historical average of salaries and wages, fixed portion assumed to be inflationary.

Footnotes:

⁷ Employees whose services are shared between Water and Sewer Systems are budgeted in the Water System. Shared labor costs are transferred from the Water System to the Sewer System.

City of Detroit
Water and Sewerage Disposal Fund
Volume Projections
(in mcf)

	Actual	For the Fiscal Year Ended									
	2013	2014 (B) ¹	2015 (B)	2016	2017	2018	2019	2020	2021	2022	2023
<u>Water System</u>											
Wholesale	15,687,868	15,890,308	15,852,800	15,812,817	14,588,930	14,552,134	14,515,431	14,478,821	14,442,304	14,405,878	14,369,544
Retail	3,660,327	4,000,000	3,775,000	3,731,972	3,689,434	3,647,381	3,605,808	3,564,708	3,555,996	3,547,306	3,538,637
Total Volumes	19,348,195	19,890,308	19,627,800	19,544,789	18,278,364	18,199,515	18,121,239	18,043,529	17,998,300	17,953,184	17,908,181
<u>Sewer System</u>											
Wholesale	13,286,460	15,124,450	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500
Retail	3,087,199	3,600,000	3,275,000	3,237,671	3,200,767	3,164,284	3,128,217	3,092,561	3,085,003	3,077,464	3,069,943
Total Volumes	16,373,659	18,724,450	18,159,500	18,122,171	18,085,267	18,048,784	18,012,717	17,977,061	17,969,503	17,961,964	17,954,443

Footnotes:

¹ FY 2014 water wholesale budgeted volumes have been reduced by 2.0%.

(B) - Budgeted